



## Treasury Inspector General for Tax Administration Office of Audit

### REVIEW OF CONTROLS OVER HEALTH BENEFIT ELECTIONS

Issued on August 27, 2015

## Highlights

Highlights of Report Number: 2015-10-074 to the Chief, Agency-Wide Shared Services, and the Internal Revenue Service Human Capital Officer.

### IMPACT ON TAXPAYERS

The Federal Employees Health Benefits (FEHB) Program is the largest employee-sponsored group insurance program in the world, covering more than eight million Federal employees, former employees, family members, and former spouses. In Fiscal Year 2014, the IRS stated it made contributions of approximately \$605 million toward employee enrollments. Effective management of health benefit expenditures is important for the IRS to control costs.

### WHY TIGTA DID THE AUDIT

This audit was initiated based on a referral from TIGTA's Office of Investigations on potential control weaknesses related to adding and removing dependents from IRS employees' FEHB plans. The overall objective of this review was to assess IRS controls over the processing of employee Federal health benefit elections.

### WHAT TIGTA FOUND

TIGTA found that the IRS did not always obtain information to provide reasonable assurance that eligibility determinations are correctly made. However, the vast majority of employee health benefit elections were processed so they became effective in the correct pay period.

Based on two randomly selected samples of Election Forms, benefits generally went into effect timely. However, in both samples, TIGTA determined the IRS had processed Standard Forms 2809, *Health Benefits Election Form* (hereafter referred to as Election Forms), that did not include all information needed to support the requested action. For example, 23 percent of paper Election Forms TIGTA reviewed that were submitted during the Open Season or by employees who were hired or first became eligible outside the Open Season did not include a response to questions about whether employees or their dependents were covered under another health plan. If covered by another FEHB plan, the employee would not be eligible for additional

coverage under the FEHB Program. In addition, the IRS processed several Election Forms involving the addition of foster children or the addition of disabled children age 26 or over incapable of self-support because of a physical or mental disability that began before their 26<sup>th</sup> birthday without all required supporting documentation. As a result, the IRS did not have assurance that dependents were eligible for IRS-funded health benefits.

TIGTA also determined that IRS management does not have procedures in place to track requests for assistance on policy issues sent to the IRS Human Capital Office.

### WHAT TIGTA RECOMMENDED

TIGTA recommended that IRS management implement program controls to: 1) provide reasonable assurance that complete and sufficient documentation is obtained from employees to support eligibility determinations and 2) develop procedures to track and monitor requests for support to the IRS Human Capital Office.

In their response, IRS management agreed with both recommendations and plans to: 1) obtain required documentation from employees and update related procedures and 2) develop policies and procedures for requesting assistance about policy issues.

### READ THE FULL REPORT

To view the report, including the scope, methodology, and full IRS response, go to:  
<http://www.treas.gov/tigta/auditreports/2015reports/201510074fr.pdf>.